

**Introduced by Senator Escutia**

December 8, 2004

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An act to add Sections 17039.2 and 23036.2 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 27, as introduced, Escutia. Tax credit carryovers.

The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws. Those laws provide that specified credits that are not used for the taxable year may be carried over to subsequent years, as provided.

This bill would, for taxable years beginning on or after January 1, 2005, and before January 1, 2007, provide that the aggregate amount of all credits, except as provided, that contain a carryover provision may not reduce the "net tax," or "tax," as applicable, for the taxable year by more than 50%, as provided. This bill also would extend by 2 years the carryover period of any credit limited by this provision.

This bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.

This bill would take effect immediately as a tax levy.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 17039.2 is added to the Revenue and  
2 Taxation Code, to read:

3 17039.2. (a) Notwithstanding any other provision of law, and  
4 except as provided in subdivision (c), the aggregate amount of all  
5 credits that contain a carryover provision (including both credits  
6 carried forward from prior years and credits allowed in the  
7 current taxable year) may not reduce the “net tax” for the taxable  
8 year (after reduction by credits that do not contain a carryover  
9 provision) by more than 50 percent.

10 (b) The carryover period for any credit limited by operation of  
11 subdivision (a) shall be extended by two years.

12 (c) This section does not apply to Section 17058, relating to  
13 low-income housing.

14 (d) This section shall be operative for taxable years beginning  
15 on or after January 1, 2005, and before January 1, 2007.

16 SEC. 2. Section 23036.2 is added to the Revenue and  
17 Taxation Code, to read:

18 23036.2. (a) Notwithstanding any other provision of law, and  
19 except as provided in subdivision (c), the aggregate amount of all  
20 credits that contain a carryover provision (including both credits  
21 carried forward from prior years and credits allowed in the  
22 current taxable year) may not reduce the “tax” for the taxable  
23 year (after reduction by credits that do not contain a carryover  
24 provision) by more than 50 percent.

25 (b) The carryover period for any credit limited by operation of  
26 subdivision (a) shall be extended by two years.

27 (c) This section does not apply to Section 23610.5, relating to  
28 low-income housing.

29 (d) This section shall be operative for taxable years beginning  
30 on or after January 1, 2005, and before January 1, 2007.

31 SEC. 3. This act provides for a tax levy within the meaning of  
32 Article IV of the Constitution and shall go into immediate effect.